



Federal Communications Commission
Washington, D.C. 20554

May 1, 2014

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90

Dear Ms. Dortch:

On November 18, 2011, the Federal Communications Commission (Commission) released the *USF/ICC Transformation Order*, which comprehensively reformed and modernized the universal service and intercarrier compensation regime.¹ In the *USF/ICC Transformation Order*, the Commission concluded that it should represcribe the authorized interstate rate of return for rate-of-return carriers and sought information necessary to prescribe a new rate of return.²

On May 16, 2013, the Wireline Competition Bureau (Bureau) released a *Staff Report* analyzing the record in the rate of return represcription proceeding and various analytical methods and data sources the Bureau recommends to use to calculate the rate of return.³ Based on various analytical methods and data sources, in the *Staff Report* the Bureau recommends a zone of reasonable rate of return estimates within which the rate of return should be selected.⁴ The Bureau sought public comment on the data, analysis and recommendations contained in the *Staff Report*.⁵

Consistent with Office of Management and Budget (OMB) peer review guidelines,⁶ the Bureau also initiated an external peer review of the *Staff Report*, seeking the analysis of qualified and impartial

¹ See *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*), *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011) (*USF/ICC Transformation Order*).

² *Id.* at 17869, para. 638; see also, *id.* 17869-72, paras. 638-72.

³ See *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 10-90, Staff Report, 28 FCC Rcd 7123 (Wireline Comp. Bur. 2013) (*Staff Report*).

⁴ *Staff Report*, 28 FCC Rcd at 7124. Specifically, the Bureau proposed a zone of reasonable rate of return estimates ranging from 7.39%-8.72%, and recommended establishing a rate of return in the upper half of this range, between 8.06%-8.72%. *Id.*

⁵ *Wireline Competition Bureau Seeks Comment on Rate of Return Represcription Staff Report: Comment Cycle Established*, WC Docket Nos. 10-90 et al., Public Notice, 28 FCC Rcd 7120 (Wireline Comp. Bur. 2013) (*Public Notice*). Comments were due on or before July 25, 2013; reply comments were due on or before August 26, 2013. *Id.* at 7121.

⁶ FINAL INFORMATION QUALITY BULLETIN FOR PEER REVIEW, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT, 70 Fed. Reg. 2664 (Jan. 14, 2005) (requiring that influential scientific information on which a federal agency relies in a rulemaking proceeding be subject to peer review to enhance the quality and credibility of the government's scientific information).

outside experts to peer review the *Staff Report*.⁷ The Bureau subsequently received written peer review reports analyzing the *Staff Report*. In this letter, the Bureau submits into the record in this proceeding the peer review charge memoranda directing the peer reviewers to conduct their analysis and the peer review reports that were received by the Bureau.⁸

The peer review charge letters and reports are also publically available by accessing the Commission's Peer Review Agenda webpage:

<http://www.fcc.gov/encyclopedia/peer-review-agenda>

As always, we welcome the input of interested parties on matters related to the rate of return represcription proceeding.

Respectfully submitted,



Jamie Susskind
Legal Advisor to the Chief
Wireline Competition Bureau
Federal Communications Commission

Attachments

⁷ See *Public Notice*, 28 FCC Rcd at 7120.

⁸ See Attachments (including peer review charge letters and peer review reports). The Bureau also provided the peer reviewers with links to comments and reply comments filed in the WC Docket No. 10-90 proceeding that are all publically available via the Commission's Electronic Comment Filing System (ECFS) as well as a copy of the publically available *Staff Report*. The Bureau also provided the peer reviewers with documents filed in the WC Docket No. 10-90 proceeding that are publically available via ECFS. See Reply Comments of AT&T, WC Docket No. 10-90 (dated Aug. 26, 2013); see also Letter from Robert Mayer, Vice President, Industry and State Affairs, USTelecom—The Broadband Association, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (dated June 20, 2013).